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Fundamental Analysis as a Mechanism to Reduce the Effects of Informational Asymmetry: A Look at the Capital Market in Mozambique

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Análise Fundamental como um Mecanismo para Reduzir os Efeitos da Assimetria Informacional: Um Olhar sobre o Mercado de Capitais em Moçambique

Resumo

A eficácia da análise fundamentalista como mecanismo redutor dos efeitos da assimetria informacional no mercado de capitais em Moçambique é avaliada neste trabalho através de um questionário sobre a qualidade da informação contabilística e os principais indicadores fundamentalistas do mercado de capitais moçambicano. E, também , foi realizada uma análise de regressão linear múltipla com dados em painel entre os principais indicadores fundamentalistas. Adicionalmente, foi aplicada a fórmula de Benjamin Graham para determinar o valor intrínseco que relaciona os movimentos com os preços das ações. Os resultados obtidos detetaram três principais indicadores fundamentalistas usados em Moçambique que incluem P/L, *DY* e *ROE*. Esses influenciam significativamente em cerca de 52.54% da variabilidade do preço da ação a um nível de confiança de 5%. E, os principais fatores que definem a qualidade da informação contabilística incluem a transparência, auditoria e comparabilidade. Os resultados ainda evidenciaram que a persistência de divergências entre o valor intrínseco e o preço da ação sugere a necessidade de melhorar a disseminação e o acesso a informações contabilísticas e fundamentais. Apesar da concentração do estudo focar no mercado moçambicano, foi mostrado que a análise fundamentalista é uma ferramenta que pode minimizar os efeitos da assimetria informacional no mercado de capitais.

Palavras-chave: Análise fundamentalista; Assimetria informacional; Hipótese dos mercados eficientes; Informação contabilística; Mercado de capitais.

Fundamental Analysis as a Mechanism to Reduce the Effects of Informational Asymmetry: A Look at the Capital Market in Mozambique

Abstract

The effectiveness of fundamental analysis as a mechanism for reducing the effects of information asymmetry in the capital market in Mozambique was evaluated through a questionnaire on the quality of accounting information and the main fundamental indicators of the Mozambican capital market. A panel data regression analysis was conducted among the main fundamental indicators. Additionally, Benjamin Graham's formula was applied to determine the intrinsic value and relate it to stock price movements. Our findings detected three mains fundamental indicators used in Mozambique, namely P/E, DY, and ROE. These indicators significantly influence approximately 52.54% of the variability in stock prices at a 5% confidence level. Moreover, the main factors that define the quality of accounting information are transparency, auditing, and comparability. The results also showed that the persistence of divergences between intrinsic value and stock price suggests a need to improve the dissemination and accessibility of accounting and fundamental information. Although the study focused primarily on the Mozambican market, it demonstrated that fundamental analysis is an effective tool for minimizing the effects of information asymmetry in the capital market.

Keywords: Fundamental analysis; Information asymmetry; Efficient market hypothesis; Accounting information; Capital market.

Introduction

Informational asymmetry represents one of the main obstacles to market efficiency, resulting in imbalances between the market value and the intrinsic value of financial assets (Carvalho, 2014). In Mozambique, the capital market is still incipient and lacks standardized transparency practices (Siúta & Chishte, 2020). Fundamental analysis plays a crucial role by promoting greater rationality in investment decisions in both the public and private sectors. The capital market constitutes an essential channel for financing the economy by allowing companies to access investor resources directly through the issuance of financial instruments. According to Pesente (2019), it is a mechanism that simultaneously stimulates savings and productive investment, and it is a determining factor in economic (under)development. However, investors, when allocating their capital, require an adequate level of accounting information that enables them to assess the expected risk and return (Carvalho, 2014). In this line of thought, accounting information is one of the main tools for supporting decision-making, as it enables a better understanding of financial records and significant corporate events (Oliveira *et al.*, 2020).

Despite its indispensable usefulness, accounting information requires proper interpretation, and in this context, the fundamental analysis becomes relevant. Therefore, according to Avelar and Hayashi (2015), fundamental analysis aims to understand the company's economic and financial situation and to forecast risks and opportunities, thereby contributing to the determination of the fair value of assets. However, as pointed out by Fama (1991 CIT. According to*Forti et al*. (2016), factors such as macroeconomic policies, market dynamics, structural failures, and informational asymmetry can distort market prices. According to Finkelstein (2015), this type of asymmetry occurs when one of the parties involved in the negotiation has access to more or better information than the other, compromising market efficiency.

Several studies (Matimele and Nhenge, 2024; FSDMoç, 2022; Matola, 2004; Ngundele, 2002, among others) have been published that address the capital market in Mozambique and propose relevant solutions for it Despite these contributions, detailed studies on the effectiveness of fundamental analysis in this context are scarce, and academic reflections on this subject are almost nonexistent. Furthermore, the stabilization of the capital market remains a current topic of debate (Valá, 2022; Diário Econômico, 2020). This stabilization is not only related to the introduction of new instruments that could boost the stock exchange but also to the adoption of effective practices by market participants. As more rigorous information practices become evident, the results may encourage policies aimed at improving the market, as well as positively influence the quality of information disclosed by companies. Moreover, the Mozambique Stock Exchange (BVM) and the Bank of Mozambique may use this evidence to reassess the causes of low liquidity, which are often associated with information asymmetry (Li *et al*., 2023). Beyond its technical relevance, the study is significant in the field of accounting due to the central role of accountants in producing financial information. As argued by Videira (2013), in more developed markets, accounting tends to prioritize the interests of investors, making it essential for professionals to understand not only how to prepare information but also its purpose for external users, especially shareholders.

The research problem centers on information asymmetry, a phenomenon that affects all global markets, whether financial or goods markets, referring to the existence of more information held by only one of the parties involved in the transaction. For instance, in capital markets, information asymmetry has significantly contributed to the incorrect pricing of financial assets, thus creating a long-term imbalance. According to Ribeiro (2017), "(...) in the face of information asymmetry in the Stock Exchange, agents form diverse opinions regarding

the macroeconomic, sectoral, and corporate environment, leading to different future projections." This asymmetry has caused distortions between the market value and the potential value of stocks or the company. However, fundamental analysis, as a mechanism to reduce this phenomenon of information asymmetry, explains how fundamental indicators can incorporate all the information that could impact the market price of financial assets. For example, Akerlof (1970), cited by Freitas *et al*. (2017), argues that "fundamental analysis functions as an instrument to reduce information asymmetry, (...)." Marçal and Batista (2019) and Nunes (2019) agree on the importance of this type of analysis, as it can reduce information asymmetry by leveraging diverse data from international capital markets.

Based on the arguments presented, the following question arises: To what extent is fundamental analysis effective in reducing the effects of information asymmetry in the capital market? The hypothesis to be tested and subsequently validated assumes that fundamental indicators significantly influence, at a 5% confidence level, the stock prices of listed companies, thus serving as an instrument with a certain degree of effectiveness in mitigating information asymmetry. The research is limited to the study of fundamental analysis in the Mozambican capital market, distinguishing itself from technical analysis and focusing on the use of financial indicators derived from accounting information.

Theoretical framework

The capital market plays a central role in long-term financial intermediation by enabling companies to raise funds and allowing agents with financial surpluses to invest. Gitman (2010) defines it as the environment where transactions of debt and equity securities take place, essentially involving bonds and stocks. Stock exchanges are organized and regulated platforms where securities are traded with transparency and publicity (Pery, 2021; BVM, 2019). In Mozambique, it is the responsibility of the Mozambique Stock Exchange (BVM) to ensure this structure, promoting access to securities issued by companies and the State. These securities are traded at a given price; for example, the price of a share, or quotation, reflects the interactions between supply and demand in the market and is influenced by multiple factors, including expectations of future performance and macroeconomic events. As highlighted by Bodie, Kane, and Marcus (2000), the market price can diverge substantially from an asset's intrinsic value — that is, the fair value based on the company's economic and financial fundamentals, as determined through accounting information.

In this context, accounting information is the primary input for analyzing business performance and is required by stock exchanges to ensure rational investment decisions. More than just a simple historical record, accounting reports have become instruments for assessing risk, return, and economic performance (Pinheiro & Lopes, 2012). The credibility of financial information and its relevance are central factors in assessing the value of companies, with its quality measurable by its explanatory power concerning the market value of shares (Barth *et al*., 2001 cit. Pinheiro & Lopes, 2012). Market value is determined through fundamental analysis.

Fundamental analysis, introduced by Benjamin Graham in the 1930s, seeks to determine the intrinsic value of a stock based on the company's economic and financial fundamentals (Silva, 2020). This approach examines historical financial results and projects future performance based on indicators such as EPS (Earnings Per Share), BVPS (Book Value Per Share), ROE (Return on Equity), ROA (Return on Assets), liquidity, debt composition, and asset turnover. Fundamental analysis is particularly useful in emerging markets, where the scarcity of information and low liquidity amplify the effects of informational asymmetry. In

this sense, the study of fundamental indicators becomes a relevant tool for mitigating informational risk.

In this framework of fundamental analysis, it is important to consider the hypothesis of Efficient Markets. For Fama (1970), HME holds that asset prices reflect all available information. This theory has three forms: weak (historical information), semi-strong (public information), and strong (public and private information). However, many authors, such as Christopher *et al.* (2019), recognize that real market conditions, particularly in emerging economies, hinder the full implementation of the EMH. Transaction costs, heterogeneous expectations, and information asymmetry are frequent limitations.

Information asymmetry is the inequality of access to information among market participants. According to Finkelstein (2015), this condition can cause conflicts of interest, exploited by agency theory, in which agents (managers) hold more information than the principals (shareholders). Such a situation compromises decision-making efficiency and underscores the need to develop signaling mechanisms, such as fundamental analysis, which allows investors to infer a company's financial health based on objective data.

Some international studies (e.g., Reis, 2020; Vieira, 2022; Silva, 2022; Nunes, 2019; Oliveira Jr. & Wargaftig, 2018; Pires & Pacheco, 2021) demonstrate that fundamental indicators have explanatory power over stock prices. Reis (2020), examining non-financial companies listed on the IBrX-100 index, identified statistically significant relationships between market price formation and indicators such as EPS, BVPS, the P/E ratio, and EBITDA. Vieira (2022) also found a correlation between Net Margin and ROE with the quotes of B3 companies. Marçal and Batista (2019), using only accounting data, concluded that about 29% of the stock price could be explained by indicators such as ROA, liquidity, and indebtedness.

Silva (2022), using panel data, obtained results that confirm the statistical influence of multiple fundamentalist indicators on the price of Brazilian stocks. Nunes (2019) identified that non-current assets held for sale influence quotes, reinforcing the importance of detailed accounting information. Oliveira Jr. and Wargaftig (2018) concluded that the P/BVPS indicator showed a greater degree of association with the behavior of prices in the paper and wood sector.

Pires and Pacheco (2021) conducted a case study applied to the company DURATEX S.A., using fundamental analysis to assess the performance of its shares based on accounting indicators. The study was based on data from the financial statements for the years 2019 and 2020, employing indicators such as ROE, BVPS, P/BV, Dividend Payout (DP), Dividend Yield (DY), EPS, and PSR. The authors concluded that the company presented a positive and growing financial performance during the analyzed period, being considered a good investment option in the long term. On the other hand, studies such as Freitas et al. (2017) revealed that, although not all indicators have statistical significance, the adoption of IFRS has substantially improved the predictive capacity of accounting information in Brazil. Finally, Lima *et al.* (2009), through the discounted cash flow model, reinforced the role of fundamental analysis in the approximation between intrinsic value and market price.

Methods

The present research contemplates the qualitative and quantitative components and is also predominantly explanatory (Nascimento, 2016). In general, it is predominantly quantitative, since the main analytical technique used was multiple linear regression with random effects applied to panel data. Regarding the objectives, the research is predominantly explanatory, as it seeks to identify cause-and-effect relationships between accounting variables and the behavior of stock prices. Simultaneously, it takes on a descriptive character by graphically analyzing the evolution of the fair value of assets in comparison with their market

prices, allowing an empirical assessment of the degree of distortion caused by informational asymmetry.

As a methodological procedure, a judgmental sampling was conducted involving two categories from the population under study, namely capital market investors and analysts in Mozambique, as well as companies listed on the BVM. A questionnaire was applied to the first category in order to identify the main fundamental indicators and the factors that define the quality of accounting information from the perspective of investors and analysts. A panel data series (from 2010 to 2020) was used, including the financial statements of companies listed on the Mozambique Stock Exchange (BVM), based on Decree No. 70/2009, which came into force in 2010. This milestone is considered to be the starting point for the preparation of accounting information in Mozambique in accordance with International Financial Reporting Standards (IFRS) for large companies. These data were used to determine the fundamental indicators and compare the price movements of assets with their fair value. In addition, an inquiry was conducted via *GoogleForms* through applications and by email to investors and analysts of the capital market in Mozambique. The distribution of *GoogleForms* was made based on the availability or convenience of investors and capital market analysts. The selection of companies for data collection among those listed on the BVM was done by judgment sampling and, subsequently, in the face of difficulties or any setbacks, convenience sampling was adopted. The criteria used for the selection of companies include:

- Companies of the second market or market of official quotations;
- Companies listed on the BVM for at least 10 years, as it is fundamental analysis as a long-term method;
- Companies with financial reports published after the adoption of NIRF's; and
- Companies with detailed accounting policies

The *GoogleForms* questionnaire was used to identify the main fundamental indicators most commonly used by investors and analysts in the Mozambican capital market. It also helped to describe the factors that define the quality of accounting information from the perspective of investors and analysts in the market. The financial statements (FS) were collected from the BVM website, which also supported the estimation of the effectiveness of fundamental indicators on asset prices. Secondary data on stock prices and the calculation of the fair value were also used to identify discrepancies between the stock price and its fair value calculated using Graham's formula. Multiple linear regression tests were performed using the fixed effects model and the random effects model.

The statistical analysis of the data was performed using R *software*, version 2016, based on the data matrix previously built in Excel, organized in a panel data format (cross-section + time series), comprising companies over a period of 10 years. The fundamental indicators selected as independent variables (Equation 1) were: Earnings per Share (EPS), Equity Value of the Stock (EPS), Return on Equity (ROE), Price/Earnings (P/E), and Dividend Yield. The Hausman test helped in choosing the random effects model as the most appropriate. Model validation tests were conducted, including the analysis of assumptions (Gujarati, 2003), to ensure that the regression assumptions were not violated.

$$\mathrm{Log(PA)_{it}} = \beta_0 + \mathrm{P/L_{it}}\beta_1 + \mathrm{VPA_{it}}\beta_2 + \mathrm{ROE_{it}}\beta_3 + \mathrm{Dividend\ Yield_{it}}\beta_4 + \mathrm{LPA_{it}}\beta_5 + \omega_{it}$$ equation 1.

Where:

- $\mathrm{Log(PA)_{it}}$ - Logarithm of the Stock Price
- β_0 - Intercept
- $\mathrm{P/L_{it}}\beta_1$ - Price-to-Earnings Ratio
- $\mathrm{VPA_{it}}\beta_2$ - Book Value per Share Ratio
- $\mathrm{ROE_{it}}\beta_3$ – Return on Equity Ratio

- Dividend Yield$_{it}\beta_4$ - Dividend yield Ratio
- LPA$_{it}\beta_5$ - Earnings per share ratio
- ω_{it} – Composite error term

In addition to the regression, a graphical analysis was performed on the difference between the market price of the shares and their intrinsic value, calculated based on the formula proposed by Benjamin Graham, **IV = √(22.5 × EPS × BVPS)**. This analysis sought to observe the alignment between the fair value of assets and their market prices over the period studied.

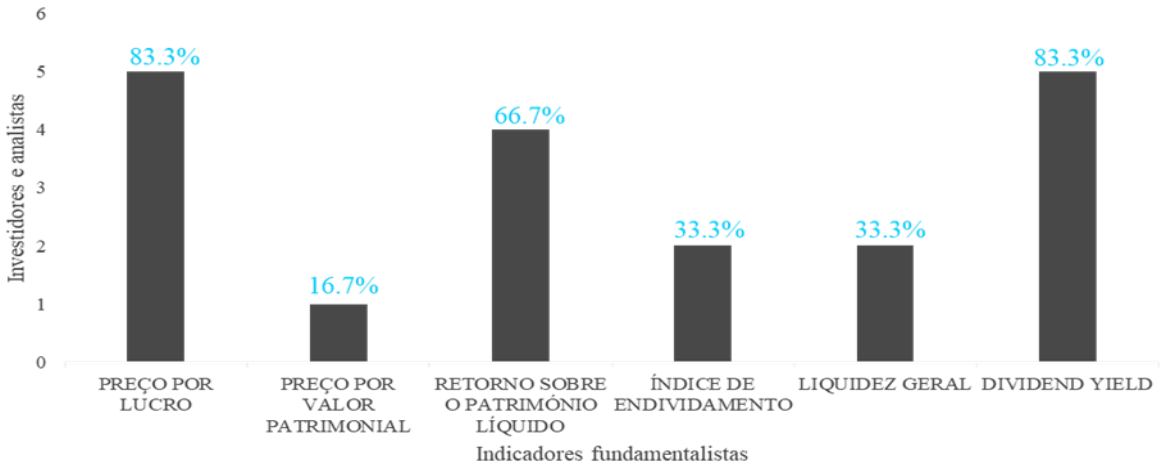
Results

This chapter presents the main results obtained, referring to the key indicators most commonly used by investors and analysts in the capital market in Mozambique, the factors that define the quality of accounting information, and the application of the random effects regression model on panel data. The focus lies on the relationship between fundamental indicators and stock prices in the Mozambican capital market, with particular emphasis on the indicators that demonstrated statistical significance, at a 95% confidence level, in explaining the stock price logarithm. In addition, the evolution of intrinsic value versus share price for the sample companies is analyzed to graphically illustrate the information asymmetry.

According to Chart 1, about 83.3% of respondents mentioned the fundamental indicators price per profit (P/L) and dividend yield, suggesting that investors and analysts widely use these indicators in the Mozambican capital market. Return on Equity (ROE) was mentioned by 66.7% of respondents. Debt Ratio and General Liquidity were mentioned by 33.3% of respondents. And, finally, the price per Equity Value (P/B) was indicated by only 16.7% of participants.

Chart 1

Most Used Fundamentalist Indicators



Source: Authors (2025)

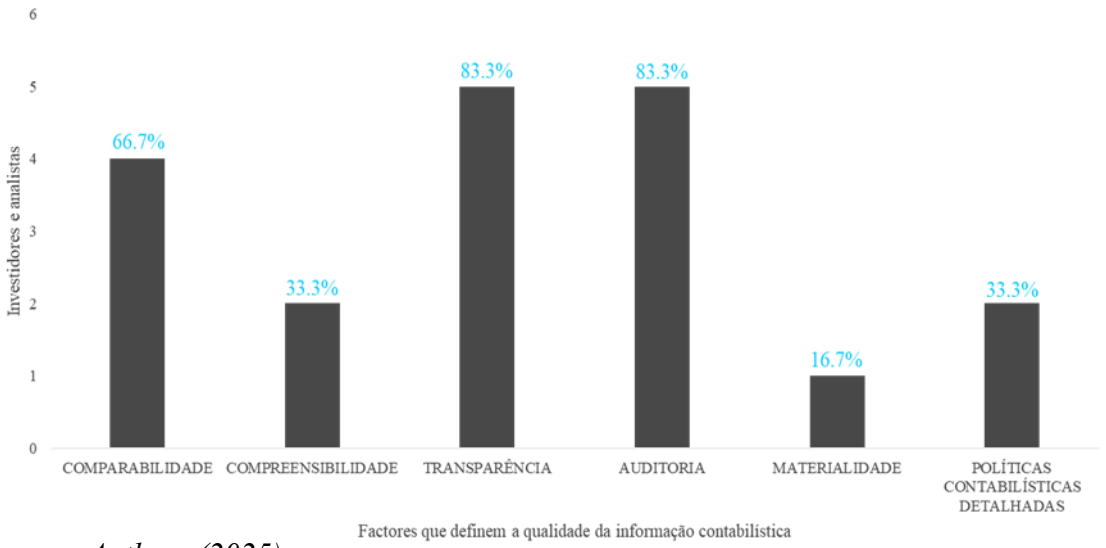
The results shown in Graph 1 indicate that investors and analysts in Mozambique prefer indicators directly related to return on investment (dividend yield) and the valuation of stock prices relative to earnings (Price-to-Earnings ratio (P/E)). ROE is a relevant indicator in analyzing companies' financial performance, indicating that investors and analysts are concerned with measuring the efficiency of a company in generating profits from its own resources. Although the Debt Ratio and Current Liquidity Ratio are important for assessing

companies' solvency and short-term payment capacity, their lower frequency of use in the specific context of Mozambique indicates that they are considered secondary compared to indicators more directly related to return on investment. Finally, the P/B points out that investors and analysts in Mozambique do not prioritize the relationship between the share price and the book value of the company as much, possibly due to the difficulty of assessing the equity value or the greater emphasis on other indicators more directly related to profit.

In Chart 2, it can be observed that among the factors defining the quality of accounting information from the perspective of investors and analysts in the Mozambican capital market, transparency and verifiability (audit) are the main factors, with 83.3% of investors and analysts indicating these as key in assessing information quality. In addition to these factors, approximately 66.7% of investors and analysts identified comparability as one of the factors defining the quality of accounting information. Furthermore, 33.3% of investors and analysts pointed to understandability and detailed accounting policies. Only 16.7% of investors and analysts pointed to materiality as a factor defining the quality of accounting information. The emphasis on transparency and auditing suggests that, for the survey participants, confidence in the quality of accounting information heavily depends on the clarity of the disclosed information and the independent verification of that information. This may suggest that, in the perception of investors and analysts, the quality of accounting information is directly linked to the confidence they have in the financial statements and their integrity. Comparability is also seen as a key factor, which suggests that investors value the ability to compare information over time and between different companies. This reinforces the importance of consistent accounting standards and uniform application of those standards. The lower emphasis on these factors may indicate that investors and analysts in Mozambique place greater trust in auditing processes and transparency than in the details of accounting policies or the determination of materiality in the information.

Chart2.

Factors defining the quality of Accounting Information



Source: Authors (2025)

Table 1 presents the regression model results, highlighting Book Value per Share (BVPS) and Return on Equity (ROE) as variables with a positive and statistically significant relationship with the logarithm of the stock price, with p-values below 0.05. The Price/Earnings

(P/E) indicator demonstrated marginal significance, with a p-value slightly above the conventional threshold (0.056), while Dividend Yield and Earnings per Share (EPS) were not statistically significant. The non-significance of the Dividend Yield can be associated with the reflection of the low level of profit distribution by listed companies, combined with the preference for retention of results, a common practice in developing markets. This contradiction shows that investors' perceptions may be based more on heuristics or habits than on empirical evidence, revealing an opportunity for educational intervention to align perception with statistical reality.

The ROE coefficient (0.835) indicates that, holding other variables constant, a one-unit increase in this indicator corresponds to an approximate 83.5% increase in the stock price in logarithmic terms. The BVPS indicated that an additional unit translates into an increase of about 0.0042% in the logarithm of the price. These results are consistent with financial theory, which points to BVPS as an accounting measure of the company's value and ROE as an indicator of the company's efficiency in generating profits for shareholders.

The adjusted R^2 value of 42.66% indicates that the three statistically significant indicators (BVPS, ROE, and P/E) jointly explain 42.66% of the variability in the logarithm of stock prices. This result evaluates the alternative hypothesis of the research, that fundamentalist indicators influence the price of shares in the Mozambican capital market.

Table 1.

Model results

Variável	Coeficiente	Erro padrão	Z-valor	P-valor	
Intecepto	177.28%	0.36	4.89	0.00%	***
P/L	0.67%	0.00	1.91	5.65%	.
VPA	0.00%	0.00	3.30	0.10%	***
ROE	83.51%	0.35	2.42	1.56%	*
Dividend Yield	-10.54%	0.07	-1.60	10.90%	
LPA	-0.04%	0.00	-0.78	43.67%	
Níveis de significância	0 '***'	0.001 '**'	0.01 '*'	0.05 '.'	
R^2	52.25%				
R^2 *AJustado*	42.66%				

Source: Authors (2025)

In Chart 1, the diagnostic tests did not show sufficient evidence to reject the null hypothesis, suggesting that the assumptions were not violated. The Hausman test confirmed the suitability of the random effects model (p = 0.6695), and the tests for residual normality (Shapiro-Wilk and Jarque-Bera), autocorrelation (Breusch-Godfrey), homoscedasticity (Breusch-Pagan), and multicollinearity (VIF < 2 for all variables) indicate no violation of the assumptions, thereby ensuring the validity of the inferences.

Table 1.

Diagnostic tests

Model Diagnosis	Statistics	P-Value
The Hausman test	3.1981	0.6695
Normality (Shapiro-Wilk)	0.9726	0.6126

Normality (Jarque-Bera)	1.0536	0.5905
Autocorrelation	1.0069	0.3156
Homoscedasticity	5.9936	0.3068

Source: Authors (2025)

Table 2.

Multicollinearity test

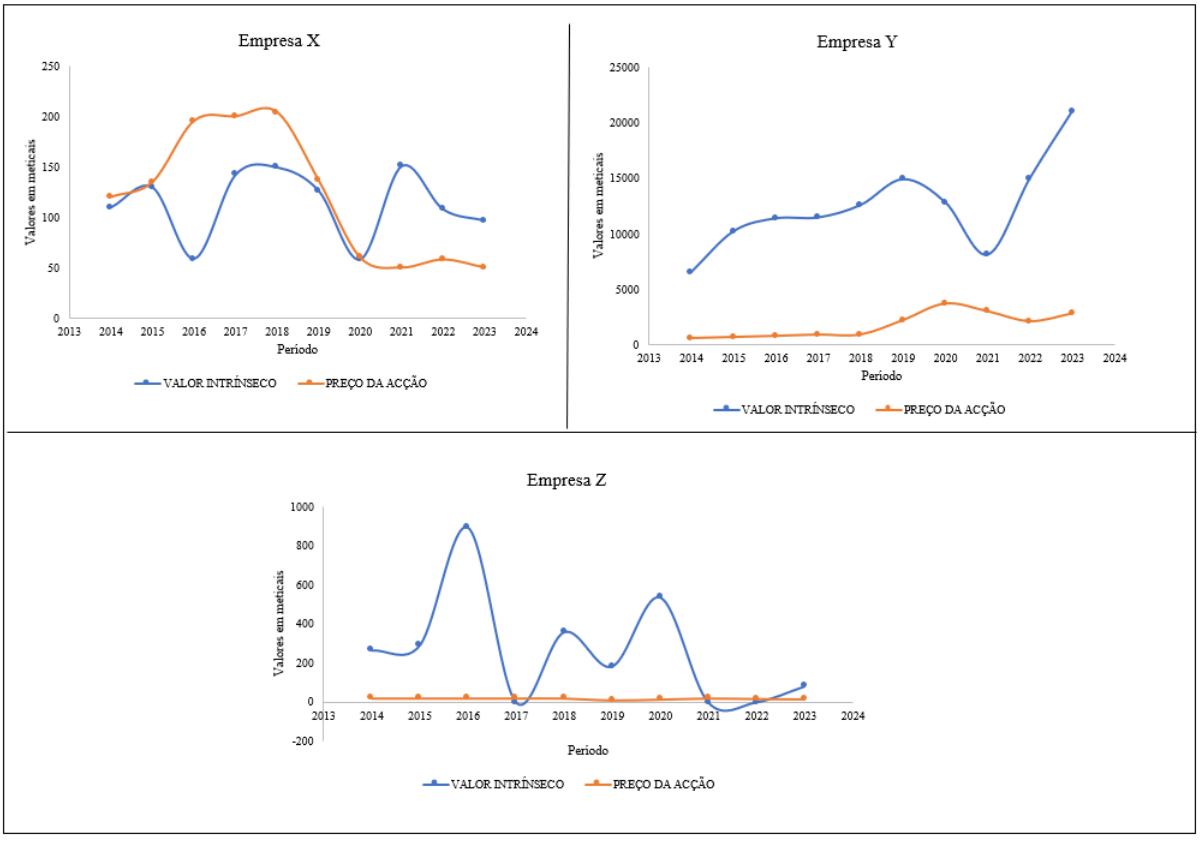
SE	BVPS	ROE	DividendYield	EPS
1.136097	1.491205	1.323664	1.176007	1.772335

Source: Authors (2025)

The graphical analysis of intrinsic value versus market price shows the existence of recurrent discrepancies between the two values (Figure 1). On several occasions, the intrinsic value calculated according to Graham's rule was higher than the market price, suggesting that the shares were undervalued due to market conditions or inefficiencies associated with informational asymmetry.

Figure 1.

Intrinsic Value vs Share Price



Source: Authors (2025)

These divergences reinforce the usefulness of fundamental analysis as a tool for identifying investment opportunities, especially in contexts where market efficiency is limited. Although stock prices do not always adjust immediately to their intrinsic value, the empirical results demonstrate that fundamental indicators provide a robust framework to estimate the fair value of assets, positioning themselves as an effective instrument to mitigate information asymmetry in contexts of inefficient markets, such as the Mozambican case.

The stability of stock prices, despite significant fluctuations in intrinsic values, suggests that the market may be slow to adjust prices according to changes in fundamentals. This can be attributed to persistent informational asymmetry, where fundamental information is not quickly assimilated by the market. The persistence of discrepancies suggests improvement in the dissemination and access to accounting and fundamental information, in order to make the market more efficient and reduce informational asymmetry. This reinforces the relevance of Accounting Information Quality indicators, as identified in the study.

Discussion

The results of the present study, which identified BVPS, ROE, and P/E as the main indicators with explanatory power over stock prices in the Mozambican market, show points of convergence and divergence with the findings of various authors. In this context, Reis (2020) used a similar methodology with panel data. The indicators EBIT, EPS, BVPS, and P/E were significant at the 1% level, while ROE and Net Margin were statistically insignificant. On the other hand, in this study, ROE proved to be highly significant, EPS showed no statistical significance, and the P/E ratio exhibited marginal significance at the 5% level, suggesting differences in context and sample composition. Both studies converge on the explanatory role of BVPS, reinforcing its relevance as a fundamental indicator. The study by Marçal and Baptista (2019), based on indicators such as asset turnover, current liquidity, debt composition, and ROA, concluded that approximately 29% of the variation in stock prices was explained by the indicators used. Compared to the present study, whose adjusted model explained 42.66% of the variability, there is evidence of a greater explanatory power, possibly attributed to the choice of indicators, economic context, sample size, or methodological differences.

Controversies regarding explanatory power arise when comparing the results found in this study with those obtained by Silva (2022), who identified statistical significance for indicators such as current ratio (CR), asset turnover (AT), ROIC, gross margin (GM), P/B, BVPS, and leverage ratios. Of the aforementioned indicators, only the BVPS aligns with the significant results of this study. The explanatory power of the present model, at approximately 42.66%, compared to Silva's (2022) 13.76%, may result from the specific combination of variables observed during the study period, differences in corporate policies, and the estimation methodology used. Oliveira, Viana Jr, Ponte, and Domingos (2017) identified net margin and EBIT as the most relevant indicators, whereas ROE was not found to be significant. This result contrasts with the current findings, in which ROE stood out as the indicator with the greatest impact on the share price. In Vieira (2022), ROE was presented as one of the main indicators with explanatory power over quotations, confirming the evidence of this study and highlighting the importance of considering profitability indicators in market value analyses.

The results of the present study show points of convergence and divergence concerning the study by Pires and Pacheco (2021). While they identified that all the analyzed indicators (including ROE, BVPS, P/B, DP, DY, EPS, and PSR) pointed to good company performance and made it an attractive long-term investment option, the present study, applying a random effects regression model, found that only ROE, BVPS, and P/E exhibited statistical significance. Although frequently used as recommended by empirical literature, indicators such as Dividend Yield and EPS did not show statistically significant influence at the 5% level on

stock prices in the Mozambican context. This difference highlights the importance of considering the local context and specific market conditions when applying fundamental analysis. Moreover, while the study by Pires and Pacheco (2021) was based on quarterly variations and a descriptive approach, the present study provides an empirical analysis supported by statistical evidence, revealing potential informational asymmetries and challenges in the efficiency of the Mozambican market.

In the study by Oliveira Jr. and Wargaftig (2018), the P/B was the indicator with the highest correlation with stock prices, whereas the P/E and EPS were considered irrelevant. These conclusions partially diverge from the findings of this study, where P/E was marginally relevant and EPS insignificant, but converge in recognizing the importance of equity value per share.

Although identifying a few indicators with statistical significance to differentiate winning and losing assets, the study by Freitas et al. (2017) reinforced the role of fundamental analysis as a mechanism to reduce information asymmetry, aligning with this study. Nunes (2019) explored the relevance of non-current assets held for sale as a predictor of market value, confirming that variables based on accounting information have explanatory power over stock prices, which supports the logic of fundamental analysis applied in this work. Finally, Lima et al. (2009), by employing the Ohlson model to analyze intrinsic value in relation to market price, highlighted the role of fundamental analysis in bridging the accounting value and market value, complementing the graphical results of the present study regarding discrepancies between fair value and stock prices.

Conclusion

This study aimed to evaluate the effectiveness of fundamental analysis as a mechanism to reduce information asymmetry in the Mozambican capital market. Based on the results obtained through the random effects regression applied to panel data, it was found that the fundamental indicators Book Value per Share (BVPS), Return on Equity (ROE), and Price-to-Earnings Ratio (P/E) had a statistically significant influence (at the 5% level) on the logarithm of the stock prices of listed companies, jointly explaining 42.66% of their variability. This statistical explanation validates the initial conjecture and reinforces that fundamental indicators influence stock prices, particularly in the Mozambican context during the period under study. In addition, the analysis of the intrinsic value (calculated by Graham's formula) and the market price revealed divergences that suggest the persistence of informational asymmetries in the market. Nevertheless, the ability of fundamental analysis to identify such discrepancies strengthens its usefulness as a tool for more informed investment decisions. The findings of this study revealed that investors and analysts in the Mozambican market regard transparency, comparability, and auditing as key determinants of accounting information quality, highlighting a growing maturity in the interpretation and use of financial statements. Despite structural limitations in the Mozambican capital market, the use of fundamental analysis has contributed to greater rationality in asset valuation and to the mitigation of information asymmetry. Although the study was conducted within the Mozambican market, the analysis carried out makes a pioneering contribution to both academic and practical literature on financial markets in Mozambique, offering an empirical basis that can guide analysts, investors, listed companies, and regulators in adopting more effective practices for the disclosure and interpretation of financial information.

Research limitations and restrictions

The small sample of investors and analysts who answered the questionnaire may limit the generalization of the results obtained in relation to the main fundamental indicators used in the Mozambican market. In addition, the restricted number of companies listed on the Mozambique Stock Exchange, combined with the selection criterion based on the availability of complete and consistent financial information over ten years, further reduced the scope of the analysis.

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Legislação

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